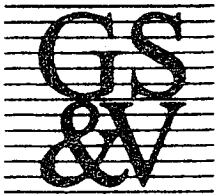


TOWN OF BOWERS
AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2008



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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Town of Bowers
3231 Main Street
Frederica, Delaware

We have performed the procedures enumerated below, which were agreed to by the Town of Bowers, State of Delaware's Office of the Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer, solely to assist the specified parties with respect to determining the Town's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2008. The Town of Bowers's management is responsible for compliance with those requirements.

This agreed-upon procedures attestation engagement was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

1. Complete the State of Delaware Office of Auditor of Accounts municipal grants agreed-upon procedures program to determine the Town of Bowers's compliance with applicable laws, regulations and financial reports related to municipal grant funds received for the year ended June 30, 2008 and detail any instances of noncompliance.

The Town of Bowers received municipal grant funds under the following programs for the year ended June 30, 2008:

Municipal Street Aid

FINDING NO. 08-1 During completion of the Town of Bowers's program checklist for the Municipal Street Aid grant, it was noted that their cash internal control structure over Municipal Street aid has no segregation of duties due to the lack of personnel which is a reportable internal control weakness that does not properly maintain and safeguard municipal street aid funds. The State of Delaware *Budget and Accounting Manual* Chapter II requires that the responsibility for a transaction or activity be divided among different parties so that no one employee has complete control over the processing of transactions. Segregation of duties reduces the risk that one person could perpetrate and/or conceal errors in the normal course of his/her duties. While ideal separation of duties is not always possible, an organization should strive to separate key functions and provide for increased oversight for the processing of transactions.

RECOMMENDATION The Town should attempt to segregate duties related to cash receipts and disbursements of Municipal Street Aid funds among different Town council members or employees so that additional controls over the Town's municipal grants can be established.

TOWN'S PLAN FOR CORRECTIVE ACTION

The Mayor, along with the Treasurer have initiated an effort to reorganize the Town's government with an emphasis on increasing internal controls, not just for the Municipal Street Aid funds, but for all financial matters pertaining to the Town. The Mayor, along with the Treasurer, with the approval of the rest of the Council, have instituted a voucher system for all disbursements that requires the Mayor's signature on all invoices or other requisitions for disbursement. Any expenditure other than normal monthly bills are brought before Council. All transactions for all accounts require signatures of both the Mayor and Treasurer.

The Town finances are now computerized and each month Council is given a report on all receivables, payables and disbursements as well as a balance sheet.

All bills, statements, checks and other information are received by the Mayor. The Mayor scans all the documents into the files that have five levels of daily backup - a combination of on-site and off-site. All information is then forwarded to the Treasurer who enters the transactions in the computer. Checks for approved disbursements are then prepared and signed by the Treasurer. The Mayor then adds his signature to the checks and mails them out.

These procedures apply to all of the Town's finances, as well as the Municipal Street Aid fund. We have also increased the bonding of the Mayor and Treasurer to an amount that exceeds fifty percent (50%) of the Town's annual budget.

FINDING NO. 08-2 During completion of the Town of Bowers's program checklist for the Municipal Street Aid grant, it was noted that the annual report was submitted timely to the office of the State Treasurer, but the annual report was not accurately prepared or reviewed [30 Del. C. §5165(b)(2)]. The beginning balance was overstated by \$13,997.27 and consequently, the ending balance was overstated by \$13,997.27 on the annual report. The overstatement was caused by mathematical errors over the prior years, beginning with the June 30, 2005 report. Failure to comply with the provisions of the Delaware Code relating to the administration of grant funds may affect future funding.

RECOMMENDATION The Town should ensure that the annual report is reviewed for accuracy and completeness prior to submitting to the office of the State Treasurer.

TOWN'S PLAN FOR CORRECTIVE ACTION

We concur with the finding. The Town's new Treasurer found the error on the previous report and brought it to the attention of the Town's new Mayor. The report was prepared and signed by the previous administration. The correction has been made and will appear in the next report. As indicated in the Town's response to Finding No. 08-1, the new administration has instituted policies and procedures, that, along with their business and accounting experience, should ensure that future reports will be accurate, timely, and properly reconciled.

2. Address the status of any findings and recommendations disclosed in previous reports.

FINDING NO. 05-1 During completion of the Town of Bowers's program checklist for the municipal street aid grant, it was noted that their cash internal control structure over municipal street aid has no segregation of duties due to the lack of personnel. The Treasurer controls all the cash functions for the Town, which is a reportable internal control weakness that does not properly maintain and safeguard municipal street aid funds. Segregation of duties reduces the risk that one person could perpetrate and/or conceal errors in the normal course of his/her duties.

CURRENT STATUS See finding 08-1.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Town of Bowers's management and council members, the State of Delaware's Office of Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

*Grabowski, Sparano
& Vincellette, CPAs*

Wilmington, Delaware
December 16, 2008